



John R. Kasich, Governor  
Paolo DeMaria, Superintendent of Public Instruction

November 6, 2018

Kathryn Meeley  
U.S. Department of Education  
Office of Innovation and Improvement  
Charter Schools Program  
400 Maryland Avenue SW  
Washington, D.C. 20202

**Re: U282A150023: High-Risk Special Condition #2**

Dear Ms. Meeley,

As part of the Ohio Department of Education's Charter Schools Program (CSP) High-Risk Special Conditions, item two requires Ohio to hire an independent monitor to perform periodic "agreed-upon procedures" (AUP). The Department engaged with Kennedy Cottrell Richards to complete the work outlined in the AUP between the U.S. Department of Education, the Ohio Auditor of State and the Department. On Oct. 18, 2018, the report was released citing four areas of concern. In all cases, the Department had taken steps to successfully address the issues prior to the release of the independent monitor's report.

Ohio's response to items identified within the AUP report is as follows:

- Item 2.1(A)(2)(e): Ensure purchases are charged to USAS Code 599- During review and testing one subgrantee attributed one payment to the wrong USAS fund code in Ohio's student information system [EMIS] typing 499 instead of 599.
  - The electronic system for tracking/paying CSP subgrant funds [CCIP] accurately reported these expenditures against the correct fund code.
  - The subgrantee has been made aware of this oversight and will prepared a memo explain for any future audit the expense of \$152,454 should be included to determine if the LEA is subject to a single audit.
    - Based upon allocated awards for the subgrantee, they currently fall below the \$750,000 threshold to be subject to a single audit.
- Item 2.1(A)(5)(c): Review of the treasurer's contract and surety bond – At various points throughout the application and monitoring processes, the Department did review the contract for each treasurer working with CSP subgrantees. At the time, subgrantees were not required to upload the contracts into the Department's compliance system because the contracts previously had been submitted to the Department as part of the Sponsor Evaluation Framework. While the Department believes the objective of this indicator was met, we will consider implementing the following steps to explicitly show the review of the contracts by:
  - Modifying the Fiscal Year 2019 CSP Monitoring Tool to require the document be uploaded.

- Potentially collecting the treasurer contract as part of the CSP application for Replication and Expansion grants.
- Item 2.1(C): Procurement – Procurement was an item of intense technical assistance the Department provided to all subgrantees. Technical assistance ranged from conference calls, in-person technical assistance and, in some instances, requiring corrective action plans. Given the multiple layers of review for each project cash request, the Department found the practice in place met compliance with the requirements in Uniform Guidance; however, not all school policies had been updated to reflect the process in place.
- Item 2.2 (C)(2): Cash management and payments to subrecipients – As part of the Department’s High-Risk Special Condition #1, the Department was on route payment with the U.S. Department of Education, which required a departure from the process used for all other federal funds the Department disburses to subrecipients. The Department took several steps to ensure this process went through multiple levels of review to meet the intent of route payment. Implementation of this practice did impact the Department’s ability to ensure vouchers were issued in fewer than five business days in several cases.
  - On Oct. 1, 2018, the U.S. Department of Education recognized the work the Department had completed in this area and removed this High-Risk Special Condition. The Department is confident removal of the route payment requirement will allow the Department to utilize its electronic system (CCIP) to ensure the timeliness of payments once they have met satisfactory approval from the Department.
- Item 2.2(D)(3): Daily federal draw reconciliation- Similar to item 2.2(C)(2) the manual process for route payment required modifications to the draw process used for all other federal grants. Each project cash request went through multiple reviews and the draw process used to ensure compliance with route payment the Department maintained a zero-cash balance for CSP funds.
  - The Department is confident the process utilized to ensure compliance with cash-management requirements for CSP funds meets the requirements. The change from using a manual process for the draws rather than the process used for all other grants required some modifications to the process.
- Item 3.1(A) (3) (a-b) & 3.1(B) (3) (a-b): Sponsor Eligibility – The report indicates the Department did not seek corrective action plans to address deficiencies from sponsors that did not score 3 or better on key indicators as part of the sponsor eligibility. Specifically, the Department did not request permission to allow sponsors to submit corrective action plans for item D.02.
  - The review to determine sponsor eligibility (specifically Sponsor Evaluation and Quality Control of the Comprehensive Plan) conducted by the previous CSP project director and grant administrator failed to identify all standards where sponsors would be subject to a corrective action plan to establish eligibility. The review conducted by previous Office of Community Schools’ staff identified only those areas [D.04, E.02 and E.01] where current CSP subgrantees earned scores of less than 3. The Department submitted a request to the U.S. Department of Education to allow sponsors of subgrantees that did not meet the 3-point standard to submit corrective action plans to address deficiencies for standards D.04, E.02 and E.01. The U.S. Department of Education

required the Department to extend this opportunity to all other sponsors that were rated Effective and met the other overall ratings.

- The Department failed to request the ability to allow sponsors to submit corrective action plans for all seven eligibility standards and only required sponsors to speak to the three identified standards.
- **No award was provided** to a sponsor that did not meet the eligibility criteria in the Round 2 competition.
- The Department has since replaced the project director and grant administrator and will take steps to ensure this procedure is fully implemented by instituting a multi-step review process, including review by the CSP Advisory Committee prior to submitting results to the Department leadership and to the U.S. Department of Education for review.

Overall, the Department is encouraged the independent monitor's report showed the hard work and commitment of Department staff to meet the requirements and expectations for implementing a CSP subgrant competition. The Department will work to incorporate the suggestions from this report and feels the few concerns identified by the report are opportunities for improvement.

The Department would like to thank the staff at Kennedy Cottrell and Richards for its review and feedback of the Department's CSP program.

If you have questions, please contact me by phone at (614) 387-2197 or email at [Karl.Koenig@education.ohio.gov](mailto:Karl.Koenig@education.ohio.gov).

Sincerely,



Karl Koenig  
Director  
Office of Community Schools

cc: Colleen Grady, Executive Director, Office of School Options  
John Richard, Deputy State Superintendent